

# Principles of Accounting

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## Description of the Examination

The Subject Examination in Principles of Accounting covers the information and skills taught in two semesters (or the equivalent) of college-level accounting. The emphasis of the exam is on financial and managerial accounting. Colleges may award credit for a one- or two-semester course in financial accounting including some managerial accounting topics, or for one semester of financial accounting and one semester of managerial accounting.

Battery-operated, hand-held calculators may be used during the exam, but all calculator memories must be cleared of both programs and data, and no peripheral devices such as magnetic cards or tapes are permitted. Although the exam was designed to be taken without a calculator, candidates may find one helpful for some of the questions.

The exam is 90 minutes long and includes approximately 78 multiple-choice questions to be answered in two separately timed 45-minute sections.

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## Knowledge and Skills Required

Questions on the exam require candidates to demonstrate one or more of the following abilities.

- Familiarity with accounting concepts and terminology
- Preparation, use, and analysis of accounting data and financial reports issued for both internal and external purposes
- Application of accounting techniques to simple problem situations involving computations
- Understanding of the rationale for generally accepted accounting principles and procedures

The subject matter of the Principles of Accounting exam is drawn from the following topics.

### Approximate Percent of Examination

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|--------|---|
| 60-70% | <a href="#">Financial accounting</a> (concerned with providing financial statements and reports of interest to company managers as well as bankers, investors, and other outsiders who must make a financial assessment of a company) |
| 30-40% | <a href="#">Managerial accounting</a> (concerned with the use of accounting data for internal purposes to help management in planning and controlling functions of the company)   |

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**Approximate Percent of Examination 60-70% Financial accounting** (concerned with providing financial statements and reports of interest to company managers as well as bankers, investors, and other outsiders who must make a financial assessment of a company)

Generally accepted accounting principles  
Rules of double-entry accounting  
The accounting cycle  
Presentation of and relationships between general-purpose financial statements  
Valuation of accounts and notes receivable  
Valuation of inventories  
Initial costs of plant assets  
Depreciation  
Liabilities  
Investments  
Capital  
Cash and stock dividends  
Treasury stock  
Purchase and sale of merchandise  
Revenue and cost apportionments  
Cash control  
Division of profits and losses in partnership accounting  
Cash flow analysis

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**30-40% Managerial accounting** (concerned with the use of accounting data for internal purposes to help management in planning and controlling functions of the company)

The manufacturing environment  
Analysis of departmental operations  
Process and job-order cost systems  
Standard costs and variances  
Direct costing and absorption costing  
Cost-volume profit (break-even) analysis  
Use of differential (relevant) cost  
Budgeting  
Performance evaluation  
Financial statement analysis

## Study Resources

To prepare for the Principles of Accounting exam you should study the contents of at least one textbook designed for a full-year undergraduate course in principles of accounting. You can find textbooks used for college-level accounting courses in many college bookstores. While most textbooks cover both financial and managerial accounting topics, their approach and emphasis varies. You may therefore wish to consult more than one textbook on the more important topics. When selecting a textbook, check the table of contents against the Knowledge and Skills Required section.